

Message Text

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EO 11652: NA
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SUBJ: EQUIPMENT PROCUREMENT FOR INDONESIA'S TRANSMIGRATION PROGRAM

1. GOI ANTICIPATES THAT ITS AMBITIOUS TRANSMIGRATION PROGRAM OVER NEXT FIVE YEARS WILL REQUIRE IMPORTATION OF APPROXIMATELY \$700 MILLION IN EQUIPMENT FOR LANDCLEARING, ROADBUILDING, ETC. ROUGHLY \$400 MILLION OF THIS AMOUNT IS PLANNED FOR THE FIRST YEAR OF THE PROGRAM WITH \$70-80 MILLION TO BE ACQUIRED IN EACH OF REMAINING FOUR YEARS. IF SCHEDULING TARGETS ARE TO BE MET, FIRST YEAR'S REQUIRMENTS ARE SUPPOSED TO BE ON-SITE IN REMOTE OUTER ISLAND LOCATIONS BY APRIL 1, 1979.

2. ESTIMATED EQUIPMENT NEEDS ARE AS FOLLOWS:

CRAWLER TRACTOR 300 HP	720
CRAWLER TRACTOR 200 HP	600
CRAWLER TRACTOR 140 HP	240
CHAIN SAW	960
MOTOR GRADER	120
EXCAVATOR	60
LOADER	204
ROAD ROLLER	120
DUMP TRUCKS	1,440
SAW MILL, PORTABLE	120
WHEEL TRACTOR AND	

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ATTACHMENTS	600
WATER TANKER	60
FUEL TANKER	60
ELECTRIC GENERATOR	60
AIR COMPRESSOR	30
WATER PUMP	120
MOBILE LUBE UNIT	60

MOBILE WORK SHOP	60
TRACTOR WITH TRAILER	30
PICK-UP TRUCK	180
ELECTRIC GRINDER	450
W/S CRANE	60
FLATBED TRUCK	60
ELECTRIC WELDING UNIT	60

3. GOI HOPES TO BE ABLE TO ARRANGE FINANCING FOR THESE ENORMOUS EQUIPMENT NEEDS IN SUCH A WAY AS TO AVOID INCURRING OFFICIAL GOI FOREIGN EXCHANGE OBLIGATION. ACCORDINGLY, GOI IS EXPLORING POSSIBILITIES OF FOLLOWING APPROACH: GOI (DIRECTORATE GENERAL FOR HIGHWAY CONSTRUCTION) WOULD SELECT SUPPLIERS AND SPECIFY EQUIPMENT NEEDS AT EACH TRANSMIGRATION SITE. GOI WOULD ALSO GUARANTEE TO SUPPLIER THAT IF LATTER DELIVERED EQUIPMENT AS ORDERED, EQUIPMENT WOULD BE PURCHASED (ON HIRE PURCHASE BASIS) BY THE PRIVATE CONTRACTOR HIRED TO PREPARE THE SITE. GOI WOULD THEN SIGN CONTRACTS FOR SITE PREPARATION WITH PRIVATE CONTRACTORS. THESE WOULD BE RENEWABLE, ONE-YEAR CONTRACTS PROVIDING FOR MONTHLY PAYMENTS BY GOI TO SPECIAL BANK ACCOUNT OF THE CONTRACTOR THAT WOULD BE SET UP IN SUCH A WAY AS TO ENSURE THAT EACH CONTRACTOR'S MONTHLY HIRE PURCHASE PAYMENTS ON EQUIPMENT WOULD BE TRANSMITTED TO EQUIPMENT SUPPLIER BEFORE CONTRACTOR COULD WITHDRAW FUNDS FOR SERVICE PERFORMED.

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4. PROSPECT OF SUCH A LARGE SALE HAS ALREADY AROUSED EXCITEMENT AMONG THOSE SUPPLIERS WHO HAVE GOTTEN WIND OF IT. COMPLEXITIES OF PROPOSED FINANCING ARRANGEMENTS, HOWEVER, RAISE SERIOUS QUESTIONS AS TO WHETHER SUCH A DEAL COULD BE PUT TOGETHER. BANKERS WHO HAVE HEARD OF IT ARE GENERALLY WARY THOUGH SOME APPEAR AT LEAST WILLING TO DISCUSS POSSIBILITIES. WHILE IT REMAINS TO BE SEEN WHETHER THIS PARTICULAR DEAL EVER MATERIALIZES, IT IS CLEAR THERE WILL BE MARKET OPPORTUNITY FOR EQUIPMENT SPECIFIED IN PARA 2 ABOVE (ALTHOUGH PERHAPS NOT OF THE MAGNITUDE PRESENTLY CONTEMPLATED) IN NEAR FUTURE. ACCORDINGLY, USDOC SHOULD ALERT PROSPECTIVE SUPPLIERS ASAP.

5. WITHIN GOI, CONTACT FOR FURTHER INFORMATION IS IR. S. TENKEAN, DIRECTOR FOR LOGISTICS, DIRECTORATE GENERAL FOR HIGHWAY CONSTRUCTION (BINA MARGA), JALAN PATTIMURA 20, KEBAYORAN BARU, JAKARTA. TEL. 773705.

MASTERS

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